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How to find the right joint
partners quickly!





How to find the right joint venture partner

Joint ventures can be a great way to make money, but how do you actually find a partner who will provide you with what you need? Developer Tim Riley reveals some handy tricks

Finding people to partner with is not as hard as you might think. When I am asked how I've been able to group up with people in multiple projects, my answer is simple: I start with my personal networks.

If it hasn't been a friend or family member I've partnered with, it's been a friend of a friend of an acquaintance. As you do each successive project, it also gets easier. I'm now at the point where I've been doing property projects for a while and have a bit of a reputation. It makes a big difference. If you can point

to something you've already done and done well, potential partners will be a lot more confident in you.

Still, people I have never met enquire about participating in future projects. It's a little like blind dating! They're trying to get an idea about whether I'm someone they can trust, and I'm doing the same with them.

My approach has been to go slow and try to get to know people before committing to working together. Despite what people say, investing is an emotional thing. Think about it. If

everyone is dealing with their own hard-earned capital and millions in debt, no matter how hard they try, things will get emotional.

Using social media

Another way of finding partners – whether they are personal contacts or not – is to communicate what you are doing, have done and plan to do next.

This is getting easier these days. Setting up a blog and sharing what you are doing via social media is remarkably simple. Sites like WordPress, Tumblr and Squarespace let you set up a website in minutes. Twitter, LinkedIn, Google+ and Facebook can help you build and find communities that may be interested in what you want to achieve. You just need to have the confidence to put it out there and communicate what you are doing or what you want to do. People are watching, and you never know where a potential partner will come from.

Communicating your intentions

The first step in spreading the word about what you're doing – regardless of what communication medium you're using – is to be clear about your vision, property strategy and, specifically, what type of project you want to do.

In my experience, people respond better when you ask them to consider a specific proposal rather than just a high-level concept. What I like to do to make things tangible for people is create a Scope document that I share with potential partners.

This document clearly outlines the vision, scale, location, size, quality and sustainability objectives of the project. It also details the timing and financial parameters, such as the estimated size and length of capital investment and targeted return, as well as joint venture partner information: the number of partners and their rights and responsibilities. I add an additional component by including project management information.

Because starting a property collective is typically a long-term venture, the dynamics of the group need to suit having a long-term relationship. Typically, most people in a property collective look at committing to a three- to 10-year horizon.

There needs to be a high level of trust between joint venture members for the project to run successfully. For

that reason it helps if the members of your property collective are friends and/or family members. In my experience these kinds of syndicates have worked best. I think this is because friends and family members trust each other more and are more in tune with the way each other operates and communicates. This reduces the chances of misunderstandings developing.

Of course, if you're in the position

» People respond better when you ask them to consider a specific proposal rather than just a high-level concept

Tim's JV experience



I've been involved in three joint ventures. These included the construction of eight townhouses in Donvale, Vic, followed

by four townhouses in Northcote, Vic. I also started an investment syndicate with three friends in 2007. Since then, we have purchased three investment properties together.

The Donvale project was my first and was challenging. There were moments when I nearly gave up. There were eight partners and everyone contributed an eighth of the costs and received a townhouse once construction was completed. I only knew two of the partners initially and everyone came on board with different experience and expectations.

In the end, the project took two years longer than it should have, because of construction delays. Despite this, I learnt a lot. I realised that this 'crowd sourcing' model of development could work; it just needed tweaking. I learnt that you need to be very careful about who you partner with. You need people on your team who you can communicate with openly. This starts right from the beginning when your project is just an idea. You need to make sure everyone starts with the same expectations and that those expectations are carefully managed throughout the project.

Learning the process

For my next joint venture, the



Northcote townhouse project, I partnered with an old friend of mine, an architect. We had a shared vision of what we wanted to achieve, and found additional partners from my circle of friends and family. I also took everything I'd learnt from the Donvale project and applied it to Northcote. I think that was a big contributor to its success.

We're still in the process of getting the valuations, but we should yield close to a 15% return on investment (after tax) and close to a 50% return on equity. We bought the site in September 2010 and finished in June 2013, so we achieved this result in just three years.

The relationships between everyone involved in the Northcote project went very well. We had a few minor disagreements along the way, but they were resolved in a timely and amicable manner. In fact, I think our relationships are stronger now than they were at the start of the project because we have a shared sense of achievement.

Example of a JV structure

In our Northcote townhouse project, three of the partners were essentially passive investors who contributed throughout. Dan, my architect friend, and I drove the project.

Everybody had an equal set of rights. Each partner was part of the management committee that made all the decisions regarding the development, and each partner had a representative appointed to the committee. All decisions were made by majority or by unanimous approval. This applied to such things as the approval of significant expenses, tender selection, entering into mortgages and entering into agreements with other parties.

The main role of the management committee was to:

- supervise actions of the project manager

- approve and modify budgets and progress payments
- approve the overall design concept
- approve consultants and contractors
- give direction to the project manager

I acted as the development manager. My key responsibilities included:

- end-to-end project management
- communications and reporting to joint venture partners
- overseeing the implementation and commercial results of the development
- entity establishment from a legal and tax perspective
- conducting feasibilities and leading site acquisition
- overseeing planning permit and building permit approval, and the construction tender process
- organising project funding – land,



- construction and take-out
- overseeing project delivery – construction

Dan's key responsibilities included:

- development of planning drawings
- development of working drawings
- preparation of tender documentation
- contract administration

of not having enough friends or family members to achieve what you want to achieve, you could look for additional partners by:

- asking your inner circle to recommend your idea to their friends or family members. Odds are that the person you are looking for is only one or two degrees away.
- posting your idea on a property investment discussion forum and seeing who responds. Forums like propertyinvesting.com/forums, investing.yipmag.com.au, somersoft.com/forum, binvested.com.au/forums and australianpropertyforum.com all have large communities of investors. You never know what response you could get if you put your idea out there.
- posting your idea to LinkedIn groups, which could also put you into contact with a potential partner. There are now many LinkedIn groups that have formed around property investing and property development.

Vetting your joint venture partners

Developing a thorough way of screening potential joint venture partners is tough. This is particularly true if you

are assessing someone who you don't know well, but it can still be difficult determining if someone is going to be easy to work with, even if you do know them. There are many things you need to think about. Consider whether they have:

- **A complementary temperament:** Find someone who will fill in the gaps around your personality strengths. The trick, of course, is to first fully understand your own strengths – sometimes easier said than done.
- **Different operational skills:** Find someone whose skills complement rather than replicate yours.
- **Similar work habits:** You have a shared view as to how much you will work to achieve your goals.
- **Self-sufficiency:** They are someone who will function on autopilot with virtually no input from you.
- **A history of working together:** Familiarity helps conversations move quickly and allows trustworthy cooperation.

- **Emotional buoyancy:** You need the capacity to support each other during the highs and lows of a property project.
- **Total honesty:** You and your partner(s) must be committed to telling each other the truth all the time, even if it's tough to say or hear.
- **Comfort in their own skin:** They know themselves well and are 'comfortable in their own skin'.
- **A personality you like:** If you don't like your partner, all the great qualities they possess won't be enough to sustain you through the long haul.
- **The same overall vision:** It is essential that your partner's main motivations for joining your venture include a passion for the project you are pursuing. 🏠

Tim Riley is the founder of Property Collectives, which helps groups of friends and family invest in and develop property together by sharing their money, time, skills and knowledge. To find out more, visit www.propertycollectives.com.au or contact Tim on 0407 846 965